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DE RUEHCN #0110/01 1750342
ZNR UUUUU ZZH
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FM AMCONSUL CHENGDU
TO RUEHC/SECSTATE WASHDC 3262
INFO RUEHZN/ENVIRONMENT SCIENCE AND TECHNOLOGY COLLECTIVE
RUEHBJ/USDAO BEIJING
RHEFDHP/DIA DHP-1 WASHINGTON DC
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RUEHC/DEPT OF INTERIOR WASHINGTON DC
RUEHCN/AMCONSUL CHENGDU 3936
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UNCLAS SECTION 01 OF 04 CHENGDU 000110

SIPDIS

E.O. 12958: N/A

TAGS: [EMIN](#) [SENV](#) [SOCI](#) [ECON](#) [CH](#)

SUBJECT: SOUTHWEST CHINA: PEASANTS, TITANIUM, AND HALTED DAMS

REF: BEIJING 00001637

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1. (SBU) Summary: Displaced peasants, a new dam that will be second only to Three Gorges, China's largest titanium deposits, a sudden dam-halting order from the PRC Environment Ministry and the transformation of villages on Xichang's rural periphery are all linked to the construction of a vanadium-titanium production base just outside Xichang in southern Sichuan Province. Hundreds of households in the rural Jingjiu district, 10 kilometers southwest of downtown Xichang, are being moved to concentrated settlements to make way for an 18 square kilometer industrial zone that will become one of China's top suppliers of titanium and vanadium. Peasants are also being displaced from near 14 hydroelectric dams being built on the Jinshajiang, Yalongjiang, and Dadu Rivers to supply cheap electric power to the Jingjiu Industrial Zone for energy-intensive processing of nearby deposits of vanadium, titanium, rare earth metals, bauxite and copper ores. According to an April 2009 press report, some peasants displaced by the Xiluodu dam, expected to be China's second biggest when completed in 2015, have been denied compensation by local authorities. On June 11th, China's Environment Ministry halted temporarily construction of several big dams on the Jinshajiang since the two companies building them had not obtained the required environmental impact assessments. PRC environmental groups have praised the decision, while criticizing construction companies for ignoring the law, and calling for a review of dam approval procedures. End summary.

Resettling Villagers Displaced by Vanadium-Titanium Project

2. (SBU) While during a recent visit to southern Sichuan, Congenoff saw how a new industrial zone is likely to transform villages in the rural district of Jingjiu, about 10 kilometers away (an hour by road) from downtown Xichang. Entering one of these villages, Congenoff saw a long line of about 60 medium-sized trucks waiting to offload coal powder for a large cement plant. Beyond the village, dust clouds appeared from what villagers said was a new steel plant under construction. After walking along the main road past green paddy fields and painted signs on walls "When you expand production, consider hiring a peasant," Congenoff turned towards a large cleared area beyond a field off the south side of the road where new streets were under construction. An office marked the "Sichuan Yuanfeng Construction Project Management Co., Panzhihua Steel Xichang Vanadium-Titanium Resettlement Point Management Office" stood in front of the busy construction site. Workers were

laying down new roads and preparations for building new housing within a large cleared area were getting underway.

¶3. (U) Note: According to recent reports from local Xichang media, the Panzhihua Steel Xichang Vanadium-Titanium Comprehensive Utilization project began in March 2008 with the leveling of land at four construction sites and new building infrastructure such as roads, electric power, communications and power plants for the zone, as well as housing for 340 households (1240 people) displaced by the project. The households displaced will be resettled in two different locations. On May 21 local leaders held a meeting on the progress of the project, which judging from a press photo, was attended by at least fifteen of the peasants who were being moved.

Peasant-Construction Workers

¶4. (SBU) Congenoff struck up a conversation with five construction workers who were sitting in the shade against a wall with their dust masks slung around their necks. The workers said they were local farmers who were working on building new homes for local peasants, some of whom would move down from their plots of land in the hills. One of the workers said the project was being paid for by the government and they come to work when agricultural duties slow down. When asked if this resettlement point near the main road would make it inconvenient for peasants whose land was some distance away, one of the peasants said people in the area supported the project since mechanization had made it very hard to earn a living as a farmer. They said the government is paying for the housing. One worker said that in the old days you couldn't say what you

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think; "it is much better now." He also said that peasants living in the hills will also be settled at this central location.

¶5. (SBU) An older man on a bicycle came over to join in the conversation. He pointed to clouds of dust in the distance and said it came from a work site where a steel plant is under construction and complained about the dust that is everywhere since construction began. Note: a June 19, 2009 BBS posting complained about the dust coming out of the Jingjiu Industrial zone -- online at URL tinyurl.com/jingjiu-dust

¶6. (SBU) Congenoff talked with some other workers, including a recent civil engineering graduate of Sichuan University, about the project. According to the workers, the housing construction is part of the Chinese government's overall "Three Concentrates" (sange jizhong) urban-rural integration project aimed at moving peasants to create urban villages. This will concentrate local rural population so that people can get better services. This particular housing construction project began about a month ago. The engineer said that sites had been laid out for over 30 three-to-four story apartment buildings that will be built with "traditional ethnic characteristics." Note: Xichang is the capital of the Liangshan Yi Minority Prefecture. This, one of four projected resettlement sites, will be completed before the next Spring Festival in February 2010. The workers said that Liangshan is rich in rare earth metals and will become an important supplier of vanadium and titanium to all of China.

¶7. (SBU) Comment: Both the rural-urban integration policy

resettlement under the "Three Concentrates" and the resettlement of peasants displaced by the Jingjiu Industrial Zone appear to be going on simultaneously. While the "Three Concentrates" is meant to apply to all rural areas, in practice, resettlement of peasants in Sichuan Province is often done on the margins of big cities where it is much easier to provide employment to peasants once they are resettled in a concentrated urban settlement pattern. End comment).

Website Outlines Titanium-Vanadium Jingjiu Industrial Zone Plans

18. (U) According to the Liangshan Prefectural government official website, the 18.5 square kilometer, located near the Chengdu to Kunming railway line, is the only prefectural level industrial zone in Liangshan. Abundant exploitable hydropower resources in the Liangshan Prefecture - over half of Sichuan's and 12 percent of China's - as well as abundant mineral resources make this an ideal area for energy-intensive mineral processing. Supplying the industrial zone with power are 110 kilovolt and 220 kilovolt power lines, with an additional line planned for later. A total of fourteen hydropower plants will be built on three rivers (Jinshajiang, Yalongjiang, and Dadu) that will double the power available to the industrial zone from 4 million kilowatts to 8 million kilowatts and bring down electric power costs. (Note: the Panzhihua Steel Group Titanium Company is a large state-owned enterprise that is the largest titanium producer in China and the second largest in the world). Nearby vanadium and titanium resources account for 93% of China's total and nearly half of the world supply. Liangshan also contains China's largest deposits of heavy and light rare earth minerals along with rich deposits of copper, lead, zinc and aluminum. The Taihe Vanadium, Titanium and Iron Mine (1.5 billion tons of ore) is only 19 kilometers from Xichang.

Peasants Displaced by Dams That Will Power Jingjiu Industrial Zone

19. (SBU) The local and national press has been reporting recently on the resettling of peasants displaced by Jingjiu Industrial Zone and the many large dams that will provide power to the Jingjiu Industrial Area. To judge by these press reports and Congenoff's limited conversations with people in Jingjiu, resettlement of people displaced near the industrial zone

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appears to be going relatively well. However, Guangzhou-based national newspaper Southern Weekend (Nanfang Zhoumo) painted a somewhat different picture in an April 2009 report on displaced peasants from the village of Guazicun, in Deyang county about 120 kilometers northeast of Xichang on the Sichuan-Yunnan provincial border. [Note: Southern Weekend, which has a tradition of investigative journalism at the edge of the permissible, sells several million copies across China every week.] According to Nanfang Zhoumo, due to a sudden drastic breakdown of law and order in their village and the refusal of the local authorities to do anything about it, the 53 households of 220 peasants together with their village party secretary fled one evening in 1996 en masse to another county without telling the local authorities. The reporter does not say why order broke down drastically, simply juxtaposing the break-down of law and order, the flight of peasants, the construction of the dam and the refusal of authority to recognize their right for compensation for their collective rights to their land, allowing readers to draw their own conclusions.

¶10. (SBU) Now these peasants, as described by Nanfang Zhoumo, will lose twice over the industrial zone project: both the land they must now rent in the Jingjiu district of Xichang and compensation they are being denied for land in Guazicun which a new 12.6 million kilowatt hydroelectric plant will flood. The ten-year- long Xilouodu Dam construction project, when completed in 2015, will be China's second largest after the Three Gorges Dam. Local authorities told the peasants' village Party Secretary that he had been expelled from the Party and the villagers could not get PRC national ID cards or any compensation since the village they belonged to no longer exists.

Environment Ministry Ordered Jinshajiang Dam Construction Halt

¶11. (U) On June 11, subsequent to Congenoff's visit to the area, the PRC Environment Ministry Office at its press conference and on its website announced a halt to construction of dams on the middle reaches of the Jinshajiang river by two companies, the Yunnan Huadian Ludila Hydropower Ltd. and Huaneng Longkaikou Hydropower Ltd. , that had started construction without authorization and without obtaining an environmental impact assessment. In some cases the flow of the river has already been cut by dam construction. A group of Chinese environmentalists wrote to the Environmental Ministry praising the decision and pointed out that these projects have already done a great deal of damage in construction, including resettling of peasants which has already begun in some cases, damaging vegetation, putting wastewater in streams and threatening endangered species of fish. The mentioned specifically the large Jiaba and Xiluodu dams under construction.

¶12. (U) The environmentalists called for a review of dam approval procedures and criticized the overdevelopment of hydropower, the damage it causes and the arrogance of companies that start a project, figuring that they'll "get on the bus first and buy a ticket later". The letter was signed by organizations such as the Friends of Nature and Green Rivers as well as by some geologists, environmentalists and journalists. The environmentalists' letter, together with nine color photographs of Jinshajiang dams under construction in Yunnan and Sichuan without having obtained environmental impact assessments is available at URL tinyurl.com/jinshajiang-dam-stop.

Comments

¶13. (SBU) The Nanfang Zhoumo report does not make any direct connection between the forcing out of the peasants and the subsequent construction of the Xiloudu dam which will flood their village. That is apparently left as an exercise for the reader. In Sichuan Province, the situation of peasants and their treatment by government officials appears to worsen the deeper into the countryside you go. On the margins of the city of Xichang, resettlement may be going relatively well, but the April 2009 article raises familiar doubts about how peasants are

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treated in impoverished areas where the quality of local officials is usually quite low. Now that Jinshajiang as well as Nujiang (reftel) hydropower dam construction projects are both on hold after much money has already been spent on construction, we shall see if the "get on the bus first, then buy a ticket" permissions-ignoring schemes of the dam construction companies will work out for them in the end.

Appendix:

Press Reports and Photo Links Collated by Consulate

-- Report on May 21 meeting on progress of resettlement of
peasants displaced by construction of the Jingjiu Industrial
Zone at URL tinyurl.com/xichang-anzhidian

-- Photos of a peasant resettlement point in early construction
phase at URL tinyurl.com/jingjiu

-- Complaints about blowing to Xichang from the Jingjiu
Industrial zone online at URL tinyurl.com/jingjiu-dust

-- Jingjiu Industrial Zone webpage URL at
tinyurl.com/jingjiu-industrial-zone

-- Xiluodu Hydropower Station: Location and Physical and Social
Environment - URL at tinyurl.com/xiluodu-hydroproject

-- Displaced peasants, their village flooded by the Xiluodu
Hydropower Station reported in April 2009 Southern Weekend - URL
at tinyurl.com/xichang-jinshajiang-peasants

-- PRC Ministry of Environment Protection Office Letter No.
(2009) 603 "Notice Ordering Halt of Construction on the Kaikou
Hydroelectric Plant on the Jinshajiang" at URL
tinyurl.com/sepa-huanengletter and press release of June 11
announcing that hydroelectric projects on the Jinshajiang would
be ordered stopped.

URL at tinyurl.com/sepa-jinshajiang-pressrel

-- PRC environmentalists letter praising June 11 PRC Environment
Ministry Decision to Halt Dam Construction on Middle Reaches of
the Jinshajiang posted on the Chinese language website of the
China Development Brief at URL tinyurl.com/jinshajiang-dam-stop

End Appendix.
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